

Message Text

CONFIDENTIAL

PAGE 01 TEHRAN 08946 110733Z

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC IMMEDIATE 3423

C O N F I D E N T I A L TEHRAN 8946

EXDIS

E.O. 11652: XGDS-3

TAGS: ENRG

SUBJ: OPEC OIL PRICE DECISION

REF: STATE 214124

FOLLOWING IS THE EXACT TEXT OF A MESSAGE WE RECEIVED FROM THE MINISTRY OF COURT FOR THE PRESIDENT FROM THE SHAH: QUOTE DEAR MR. PRESIDENT: I THANK YOU FOR YOUR MESSAGE OF SEPTEMBER 9, THE CONTENTS OF WHICH I HAVE NOTED VERY CAREFULLY.(PARAGRAPH) AS YOU ARE NO DOUBT AWARE, IRAN HAS ALWAYS BEEN A FIRM BELIEVER AND SUPPORTER OF A DIALOGUE BETWEEN DEVELOPING AND DEVELOPED NATIONS IN ORDER TO CONTRIBUTE TO THE SOLUTION OF THE CHRONIC ECONOMIC PROBLEMS WITH WHICH THE WORLD AT LARGE IS BESET. IT WAS IN THIS SPIRIT THAT AT MY SUGGESTIONS, OPEC AGREED TO FREEZE THE PRICE OF OIL UNTIL THE END OF SEPTEMBER 1975, ALTHOUGH WE WERE SUBJECT TO THE CONTINUED INFLATION EXPORTED TO OUR COUNTRIES. (PARAGRAPH) HOWEVER, I FEEL CONSTRAINED TO SAY THAT IT DOES NOT APPEAR JUSTIFIABLE TO US TO CONTINUE THE FREEZE AND TO TOLERATE A DECREASE OF ABOUT 35 PER CENT IN OUR PURCHASING POWER BEFORE SUCH A DIALOGUE TAKES PLACE. IN THIS CONTEXT IT IS WORTHY TO NOTE THAT WE HAVE NO INFLUENCE ON THE PRICES OF COMMODITIES AND MANUFACTURED GOODS WHICH ARE IMPOSED UPON US. THERE ARE MANY ITEMS OF GOODS THAT WE BUY THIS YEAR 300 TO 400 PER CENT MORE (IN PRICE) FROM THE UNITED STATES OF AMERICA THAN WE DID

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TEHRAN 08946 110733Z

18 MONTHS AGO AND WE HAVE ON CHOICE OTHER THAN TO PAY THE

PRICE DEMANDED. FURTHERMORE, YOU KNOW VERY WELL, MR. PRESIDENT, THAT WE ALWAYS TAKE A MODERATE LINE AND THERE ARE MANY MEMBERS OF OPEC WHO ARE DEMANDING MUCH GREATER INCREASES IN THE PRICE OF OIL THAN WE ARE.(PARAGRAPH) WITH REGARD TO THE ADVERSE EFFECT OF ANY INCREASE IN OIL PRICES ON THE RECOVERY OF THE INDUSTRIALIZED COUNTRIES, I WOULD LIKE TO DRAW YOUR ATTENTION TO THE FACT THAT FIRSTLY THE TAX IMPOSED BY THE CONSUMING INDUSTRIALIZED NATIONS ON OIL PRODUCTS WHICH ON AVERAGE NEARLY EQUALS THE GOVERNMENT TAKE OF THE OIL PRODUCING NATIONS CAN VERY WELL BE ADJUSTED TO TAKE CARE OF ANY INCREASE IN OIL PRICES. IN THE CASE OF THE UNITED STATES OF AMERICA CONSIDERING LIFTING THE TWO DOLLAR TARIFF IMPOSED ON IMPORTED CRUDE WHICH HAS BEEN UNDER DISCUSSION COULD VERY WELL SERVE THE SAME PURPOSE.(PARAGRAPH) SECONDLY, BEARING IN MIND THE LONG-TERM INTERESTS OF THE WORLD COMMUNITY, PARTICULARLY OF THE INDUSTRIALIZED COUNTRIES, THE SOUND ECONOMIC GROWTH OF WHICH DIRECTLY AFFECTS THE INDUSTRIALIZATION OF THE OPEC NATIONS, AN INCREASE IN OIL PRICES IS IMPERATIVE TO CREATE SUFFICIENT INCENTIVE FOR THE DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY WHICH IN THE CASE OF THE UNITED STATES IN PARTICULAR WOULD RENDER "PROJECT INDEPENDENCE" A REALITY.(PARAGRAPH) THIRDLY, WITH REGARD TO THE ADVERSE EFFECT ON THE ECONOMY OF NON-OIL PRODUCING DEVELOPING COUNTRIES I HAVE IN MIND A PLAN OF ASSISTANCE FOR THESE NATIONS IN THE FORM OF GRANT-IN-AID WHICH HOPEFULLY WITH THE SUPPORT OF THE OPEC COUNTRIES CAN PUT INTO EFFECT IMMEDIATELY.(PARAGRAPH) THE PRECARIOUS WORLDWIDE MONETARY SITUATION STARTED WELL BEFORE WE INCREASED THE PRICE OF OIL AND AFTER WE EFFECTED THIS INCREASE IT WAS RESPONSIBLE FOR ONLY TWO PER CENT OF THE WORLD INFLATION WHICH WAS RUNNING BETWEEN 12 AND 27 PER CENT. FOR EXAMPLE, TO STRESS THE POINT, ACCORDING TO INTERNATIONAL REPORTS, THE GOLD RESERVES ESPECIALLY OF EUROPEAN COUNTRIES ARE NOW GREATER THAN THEY WERE BEFORE THE INCREASE IN THE PRICE OF OIL.(PARAGRAPH) I ALSO APPRECIATE VERY MUCH AND GREATLY VALUE THE SPECIAL RELATIONSHIP THAT EXISTS BETWEEN OUR TWO COUNTRIES WHICH AS YOU FULLY RECOGNIZE, MR. PRESIDENT, IS NOT ONLY IN FAVOR OF IRAN BUT IS MUTUALLY AND EQUALLY BENEFICIAL

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEHRAN 08946 110733Z

TO BOTH SIDES. IF IN DEFENDING OUR LEGITIMATE INTERESTS, WE MIGHT RAISE SERIOUS QUESTIONS AMONG THE AMERICAN PEOPLE WE WOULD BE VERY SORRY TO ASCERTAIN THAT THE REAL FACTS HAVE NOT BEEN SET BEFORE YOUR PUBLIC.(PARAGRAPH) WITH BEST WISHES AND KINDEST REGARDS, SINCERELY, MOHAMMAD REZA PAHLAVI. THE HONORABLE GERALD R. FORD, PRESIDENT OF THE UNITED STATES, WASHINGTON, D.C. END QUOTE.

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